

Message Text

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44

ACTION NEA-10

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SUBJECT: PEOPLES ASSEMBLY AND 1976 BUDGET/PLAN: FURTHER DEBATE

REF: CAIRO 10809

1. IN CONTINUATION OF PROCESS FOR IMPLEMENTATION OF PLAN AND BUDGET FOR 1976, PM SALEM VISITED PEOPLES ASSEMBLY ON NOVEMBER 9 TO ANSWER GENERAL QUESTIONS ON OVERALL FRAMEWORK OF GOE'S INTENTIONS. PRESS HAS GIVEN RELATIVELY LITTLE COVERAGE TO EVENT, BUT A FEW ITEMS ARE MENTIONED THAT DESERVE ATTENTION.

2. PUBLIC VS. PRIVATE SECTORS. SALEM REEMPHASIZED GOVERNMENT'S FIRM COMMITMENT TO PRESERVATION AND DEVELOPMENT OF PUBLIC SECTOR, WHILE AT SAME TIME ENCOURAGING AND FACILITATING A MORE ACTIVE ROLE FOR PRIVATE CAPITAL, BOTH LOCAL AND FOREIGN. HE OFFERED AS ILLUSTRATION OF HOW THESE TASKS COULD BE PERFORMED SIMULTANEOUSLY RECENT (BUT AS YET UNIMPLEMENTED) DECISION TO OFFER STOCK IN PUBLIC COMPANIES FOR SALE TO INDIVIDUALS (REFTEL).

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THIS WOULD PROVIDE CAPITAL FOR EXPANSION OF PUBLIC SECTOR FROM

PRIVATE SOURCES, BENEFITTING BOTH SECTORS AND EGYPT IN GENERAL.

3. EXCHANGE RATES. IN SHARP REJOINDER TO ADVOCATES OF FLOATING EGYPTIAN POUND, PM SAID ECONOMY CANNOT BE LIBERALIZED OVERNIGHT AFTER 15 YEARS OF ISOLATION FROM WORLD ECONOMY, AND AT TIME WHEN "PAYMENTS BALANCE IS RUNNING DEFICIT OF LE 2.4 BILLION" (SIC) (SALEM PROBABLY MEANT TRADE BALANCE, BUT FIGURE IS STILL RATHER HIGH). FREEING POUND AT PRESENT TIME AND UNDER PRESENT CIRCUMSTANCES WOULD RESULT IN DRASTIC DROP IN ITS VALUE AND CONSEQUENT INCREASES IN LOCAL PRICES FOR IMPORTED GOODS. LATER, WHEN IMBALANCE HAS BEEN REDUCED OR ELIMINATED, QUESTION CAN BE STUDIED AGAIN.

4. INVESTMENTS. CHALLENGED BY MOSTAPHA KAMEL MOURAD (SEE BELOW), CHAIRMAN OF ASSEMBLY'S ECONOMIC COMMITTEE, ON PALTRY RESULTS OF OPEN DOOR POLICY, PM SAID THAT HIS GOVERNMENT WAS COMMITTED TO ACCEPTING ONLY THOSE PROPOSALS WHICH BENEFITTED ECONOMY, OR WERE LARGE ENOUGH TO MERIT CONSIDERATION UNDER THAT CRITERIA. PROGRESS IS BEING MADE, HE SAID, AND GOE HAS ISSUED PERMITS FOR 1,100 "PRIVATE SECTOR ENTERPRISES".

5. WAGES AND PRICES. CONCERNS OVER LINKAGES BETWEEN WAGES AND PRODUCTIVITY AS WELL AS PRICES AND AVAILABILITIES OF CONSUMER GOODS WERE ANSWERED BY PM AND MINSUPPLY SHAZLI, WHO STRESSED GOE'S ATTENTION TO THESE MATTERS AND REITERATED STEPS TO IMPROVE SITUATION: FREEING PUBLIC SECTOR OF ADMINISTRATIVE CONSTRAINTS AND REVAMPING OF SUPPLY DISTRIBUTION AND RATIONING SYSTEMS (NOT YET COMPLETED).

6. COMMENT: SESSION APPEARS TO HAVE BEEN FAIRLY LIVELY, AS THESE MATTERS GO, AND MOURAD IS SAID TO HAVE ENJOYED FURTHER PLAYING HIS ROLE OF GAD-FLY AND SPOKESMAN OF LOYAL OPPOSITION. ONE OF HIS FAVORITE THEMES, FREEING POUND TO FIND ITS ACTUAL VALUE IN MARKETPLACE, WAS EVIDENTLY REJECTED RATHER BRUSQUELY BY PM SALEM, BUT MOURAD ENJOYS THESE CONTESTS AND CAN BE EXPECTED TO RAISE ISSUE AGAIN. AS HEAD OF NEWLY-FORMED LIBERAL FORUM WITHIN ASU, HE CLAIMS 25 PERCENT OF ASSEMBLY WILL BACK HIM ON THIS POINT. HE MAY BE RIGHT.

7. IN RELATED ACTION, DEPUTYSPEAKER OTEIFY IS REPORTED TO HAVE RECOMMENDED REESTABLISHMENT OF JULY-JUNE FISCAL YEAR IN PLACE LIMITED OFFICIAL USE

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OF JANUARY-DECEMBER AS HAS BEEN CASE SINCE 1973, IN ORDER TO PERMIT TIME FOR ASSEMBLY TO WORK ON PLAN AND BUDGET. CURRENT ARRANGEMENT, WITH NECESSITY FOR HURRIED AND HARRIED CONSIDERATION OF MASS OF MATERIAL IMMEDIATELY AFTER END-OCTOBER REASSEMBLY, IS COUNTER-PRODUCTIVE, ACCORDING TO OTEIFY, AND SHOULD BE CHANGED. HE IS PROBABLY RIGHT, BUT WE DOUBT THAT GOE COULD AFFORD TO SHIFT GEARS ON THIS SUBJECT RIGHT NOW, WHEN SO MANY OTHER INSTITUTIONS ARE IN STATE OF FLUX.

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